Planning Your Financial Future

Pennsylvania Association of Nurse Anesthetists
Hershey, Pennsylvania

April 9, 2005
Reasons for Investing
True or False?

Mature Americans can expect to spend more years caring for their parents than for their children?
Source of Income for Retirees

- Social Security: 40%
- Earnings: 20%
- Pension: 18%
- Assets: 18%
- Other: 4%

Source: Social Security Administration
True or False?

Today, men and women can expect to live to the same life expectancy?
Reasons for Financial Retirement Planning

- Financial Security
- Peace of Mind
- Have Ample Disposable Income
Where Do You Start?

1. Set goals
2. Seek advice
3. Educate yourself
4. Monitor your progress
Getting Started

- Get Organized
  - Centralize Documents and Investment Accounts
  - Set Goals
  - Create a Budget

- Create an Investment Plan That Includes:
  - Diversification
  - Asset Allocation
  - Your Risk Tolerance
  - Your goals
Get Organized

Contents of your safety deposit box may include:

- Will
- Living trust
- Power of attorney
- Health care proxy
- Personal property
- Homeowner’s insurance policy
- Stock and bond certificates
<table>
<thead>
<tr>
<th>Goal</th>
<th>Target</th>
<th>Cost</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay off college loans</td>
<td>Fall 2008</td>
<td>$40,000</td>
<td>High</td>
</tr>
<tr>
<td>House Down payment</td>
<td>Spring 2006</td>
<td>40,000</td>
<td>Medium</td>
</tr>
<tr>
<td>Retirement</td>
<td>2043</td>
<td>60,000 annually</td>
<td>High</td>
</tr>
<tr>
<td>Vacation</td>
<td>Spring 2006</td>
<td>2,000</td>
<td>Low</td>
</tr>
<tr>
<td>Computer</td>
<td>Immediate</td>
<td>2,000</td>
<td>Low</td>
</tr>
<tr>
<td>New Tires</td>
<td>Immediate</td>
<td>600</td>
<td>Medium</td>
</tr>
</tbody>
</table>
## Budgeting Your Cash Flow

<table>
<thead>
<tr>
<th>Income</th>
<th>Monthly</th>
<th>Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages Paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonuses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INCOME SUBTOTAL:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent/Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities: Gas/Water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell Phone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eating Out</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES SUBTOTAL:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET INCOME (income less expenses)</th>
<th>$_________</th>
<th>$_________</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>INVESTMENTS:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>401K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INVESTMENTS SUBTOTAL:</strong></td>
<td>$_________</td>
<td>$_________</td>
</tr>
</tbody>
</table>
## NET WORTH WORKSHEET

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investable Assets:</td>
<td></td>
</tr>
</tbody>
</table>
| Cash/Checking/Savings | Credit Card Debt  
$_________  |
| Money Market Accounts, | Margin Debt  
$_________  |
| CD’s T-Bills | Personal Loans  
$_________  |
| Bonds, Taxable, Tax-Exempt | Mortgages  
$_________  |
| Stocks | Auto Loans  
$_________  |
| Mutual Funds | Other  
$_________  |
| Life Insurance (Face Amt.) | Total Liabilities  
$_________  |
| Annuities |  |
| Limited Partnerships |  |
| Real Estate |  |
| Collectibles/Personal Assets |  |
| Retirement Assets: |
| IRA’s |  |
| Qualified Retirement Plans |  |
| Pensions |  |
| Other |  |
| Total Assets  
$_________  |  

*Net Worth  
$_________  |
True or False?

A dollar today is equal to a dollar one year from now?
One dollar in 1980 is equal to just 44 cents today.

Source: Bureau of Labor Statistics
One dollar in 1970 is equal to just 19 cents today.

Source: Bureau of Labor Statistics
The Rule Of 72

Lesson:

Your most precious investment asset is time.

The Power of Compounding

Today 8 Years 16 Years 24 Years 32 Years 40 Years

$31,250 $62,500 $125,000 $250,000 $500,000 $1,000,000
<table>
<thead>
<tr>
<th></th>
<th>Danielle</th>
<th>Mike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invests $3000 a year from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>$60,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total $ At 65</td>
<td>$1,861,673</td>
<td>$295,041</td>
</tr>
</tbody>
</table>
Tax Deferred Compounding

Tax Deferred investing can help you keep more of what you earn and may help you increase your savings.

Initial Investment: $10,000

Years:
- 0
- 5
- 10
- 15
- 20
- 25
- 30

Tax-Deferred Growth:
- $109,357

Taxable Growth:
- $46,308
Well when is the best time to start saving for retirement? 

**Now!**

Waiting, Costs You Money
Now I know the importance of investing, how much should I save?
# How To Save A Million Dollars By Age 65

<table>
<thead>
<tr>
<th>AGE</th>
<th>ONE TIME</th>
<th>MONTHLY</th>
<th>YEARLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>$13,700</td>
<td>$100</td>
<td>$1,400</td>
</tr>
<tr>
<td>25</td>
<td>22,100</td>
<td>160</td>
<td>2,300</td>
</tr>
<tr>
<td>30</td>
<td>35,600</td>
<td>260</td>
<td>3,700</td>
</tr>
<tr>
<td>35</td>
<td>57,300</td>
<td>450</td>
<td>6,100</td>
</tr>
<tr>
<td>40</td>
<td>92,300</td>
<td>750</td>
<td>10,200</td>
</tr>
<tr>
<td>45</td>
<td>148,600</td>
<td>1,300</td>
<td>17,500</td>
</tr>
<tr>
<td>50</td>
<td>239,400</td>
<td>2,400</td>
<td>31,500</td>
</tr>
<tr>
<td>55</td>
<td>385,500</td>
<td>4,900</td>
<td>62,800</td>
</tr>
<tr>
<td>60</td>
<td>621,000</td>
<td>13,000</td>
<td>163,800</td>
</tr>
</tbody>
</table>
## Price of Procrastination

Let's earn $250,000 by retirement:

<table>
<thead>
<tr>
<th>Years</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 years</td>
<td>$168</td>
</tr>
<tr>
<td>20 years</td>
<td>$424</td>
</tr>
<tr>
<td>10 years</td>
<td>$1,367</td>
</tr>
<tr>
<td>5 years</td>
<td>$3,402</td>
</tr>
</tbody>
</table>
Your Investment Options

- Stocks
- Bonds
- Mutual funds
Growth Investments
(*Higher Risk*)

- **Common Stocks**
  - Ownership share in company
  - Price determined by market

- **Growth Investments**

- **Income Investments**

- **Cash Equivalents**
Investments with Growth Potential Should Remain a Part of Your Portfolio, Even in Retirement

- If you retire early, you may be retired for as many years as you worked.
- 60% of those turning 65 will live to be at least 80 years old.
- Up to 85% of your social security benefits may be taxable, reducing your post retirement income.
- No matter how long, inflation will erode your purchasing power.
Waiting Out the Storms has Been Worth It

<table>
<thead>
<tr>
<th>Declines in the Dow Jones Industrial Average: 1900 - December 2004</th>
<th># of Declines</th>
<th>Average Length</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declines of 5% or more</td>
<td>346</td>
<td>39 days</td>
<td>3.4 per year</td>
</tr>
<tr>
<td>Declines of 10% or more</td>
<td>114</td>
<td>107 days</td>
<td>1.1 per year</td>
</tr>
<tr>
<td>Declines of 15% or more</td>
<td>55</td>
<td>216 days</td>
<td>1 every 2 years</td>
</tr>
<tr>
<td>Declines of 20% or more</td>
<td>30</td>
<td>372 days</td>
<td>1 every 3 years</td>
</tr>
</tbody>
</table>
Average Annual Return, S&P 500
January 1981-December 2004

8395 days
8.60%

Without the best 50 days,
-3.00%
Income Investments

*(Low to Moderate Risk)*

- U.S. Treasury Securities
- Municipal Bonds
- Corporate Bonds
What About Bonds?

Lesson:
Bonds and interest rates move in opposite directions. Bonds diversify a portfolio and provide a source of income.
Cash Equivalents
*(Very Low Risk)*

- CDs
- U.S. Treasury Bills
- Money Market Funds
Mutual Funds

- Professionally managed
- Can contain almost any type of investment
- Varying degrees of risk
- Pool the assets of many shareholders
- Diversification tool
Emotions Cost Money

The Cost Of Undisciplined Investing

10 years $(5,160)
15 years $(12,381)
20 years $(26,431)
25 years $(52,938)
True Or False?

Because stocks have the highest return, an investor should put all their money in stocks?
Three Steps To A Secure Retirement

1. Build wealth
2. Preserve wealth
3. Protect wealth
Building Wealth

Identify Income Sources

- Social security
- Company-sponsored plans
- IRA/Keogh/SEP
- Investment assets
True False?

The Primary goal of the mature investor should be to preserve capital?
Asset Allocation

Points to consider:

- Tolerance for risk
- Tax bracket
- Age
- Goals
- Time Horizon
How Old are You

Beginning Investor (40 years to Retirement):
5% Cash
15% Bond
80% Growth

Family Investor (20 Years to Retirement):
10% Growth
20% Bonds
70% Growth
How Old Are You

Mature Investor (10 years to retirement):
Cash 10%
Growth 50%
Bonds 40%

Retired Investor:
Cash 15%
Bonds 45%
Growth 40%
The Power of Diversification

Diversified Portfolio
(initial invest of $100,000)

Un-diversified Portfolio

(George)
5% growth

After 25 years
338,635
Initial investment
100,000

(Martha)
After 25 years
5% return
10% return
12% Return
$805,528
Protecting Wealth

- Long term health care
- Life insurance
- Disability insurance
- Estate planning
  - Wills
  - Trusts
Will Medicare provide for my health care costs?
Who Pays For Long Term Care?

- Medicaid: 47.4%
- Out-of-pocket payments: 43.1%
- Medicare: 4.4%
- Other: 4%
- Private Health Insurance: 1.1%
True or False?

The average retiree can expect to live another 10-15 years?
Let These Questions Determine Your Financial Health

- How much will you save and invest?
- How long will you let your money grow?
- What will you be investing in?
- How disciplined will you be?
Next Steps

- Set goals
- Create a budget, and a net worth statement
- Save 10% of your monthly income
- Take advantage of your company’s retirement plan
- Establish a Roth, IRA, after-tax account
- Work with a financial advisor to stay on track
Thank You For Your Participation!

Please take a moment to fill out a feedback sheet.

Christine Armstrong
Senior Vice President-Investments
1-800-752-2678 x3328